



*The
Connecticut
Contractor
for
Home
Improvement
and
New Home
Construction*

**STATE OF
CONNECTICUT**
M. Jodi Rell, Governor

**Department of Consumer
Protection
Jerry Farrell, Jr.
Commissioner**

January 2007

With improvements in technology, education, methods and materials, home building and repair has become a dynamic industry. Home Improvement Contractors have replaced the handymen of days gone by.

These contractors may be more specialized in their trades, and are also faced with a growing number of responsibilities ranging from environmental, economic and regulatory issues.

In an industry that has such a profound impact on our lives and the economy, it is essential that these business owners are educated on what the laws are and how they can maintain a business that is in good standing with their customers.

The Department of Consumer Protection is responsible for registering all Home Improvement and New Home Contractors providing services in the state, as well as for administering the Home Improvement and New Home Guaranty Funds.

In addition to administering the law, we are striving to assure that contractors can accomplish their jobs in a professional manner, satisfy their customers' needs, reduce the number of consumer complaints, and support the growth of a solid Connecticut economy.

Table of Contents

Registration and Renewals	
• Doing Business as a Home Improvement Contractor	1
• Exemption from Registration	1
• How Can I Register and What Will I Need?	1
• Renewal Registration	3
CT Home Improvement Act Contract Requirements	4
• Must be in Writing and Dated	4
• The 3-day Cancellation Right	6
The Home Improvement Guaranty Fund and the Consumer Protection Enforcement Fund	7
The New Home Construction Act	8
New Home Construction Contract Regulations	9
The New Home Construction Guaranty Fund	11
Other Laws Affecting Home Improvement Contractors	12
• Building Permits	12
• Connecticut Home Solicitation Sales Act	13
• Insurance	13
• Service Warranties	14
The Contractor as a Successful Business Owner	14
• Historical Job Costing, Overhead Calculations and Job Estimating	14
• What to Charge?	15
• Payment Schedules	15
• Handling the Consumer Complaint	16
• Dealing with Your Subcontractors	16
• Financing Home Improvement Projects	17
• Guarantees and Warranties	17
Special Environmental Issues	19
• Radon	19
• Asbestos and Lead, Lead (PRE) Rule, Requirements Under (PRE) Rule, Lead-Safe Painting, Remodeling and Maintenance	20
• Residential Underground Oil Tank Removal	24
Successful Remodeling Business Tips	26
Appendix A: Summary of Things Your Contract Must Contain	
Appendix B: Notice of Cancellation Form	
Appendix C: Resource List	



Home Improvement Contractor Registration & Renewals

If you are doing business as a Home Improvement Contractor in Connecticut, the law requires you to register with the State of Connecticut Department of Consumer Protection.

What is meant by “doing business as a home improvement contractor?”

If you perform work on residential property (single or multifamily dwellings of six units or less), condominiums or common interest communities and you charge more than \$1,000 for all your home improvement contracts with all your customers during any 12 consecutive months, you must register as a home improvement contractor.

You do not need to be registered as a home improvement contractor if you work only as a subcontractor for a registered home improvement contractor; if you only build new houses; if you do only commercial work and/or if you hold a trade license issued by the state, and the work is within the scope of that license.

Note: New Home Construction Contractors also must be registered with the Department of Consumer Protection. No application fee of \$60 shall be required for a home improvement contractor in any year during which such person has paid the registration fee required as a New Home Construction Contractor, or in any year in which such person's registration as a new Home Construction Contractor is valid.

How can I register as a Home Improvement Contractor?

You may do so by mail or in person. You can obtain an application from our website, www.ct.gov/dcp. Click on the “Home Improvement” button on the main page for a link to the application. Or you can call us for one.

- To register in person, visit us at the Department of Consumer Protection in the State Office Building, 165 Capitol Avenue, Hartford. Go to the first floor, Room 110 – The “Consumer Action Center.”
- To register by mail, send your completed application and fee to:
Department of Consumer Protection, License Services Division, 165 Capitol Avenue, Hartford, CT 06106
- You may phone the Department for registration materials: (860) 713-6000.

The registration process takes approximately two weeks.

Application Process

- We will give you an application form to complete, which you may do at the office or take with you and mail back to us.
- Your application must be notarized. We will do this for you at no charge if you bring your completed registration and valid photo identification to our office at the State Office Building.
- Bring along proof of address and name, such as a driver's license, and cash or a check for payment of the registration fees.

Corporations

If you are filing as a corporation you must be registered in good standing with the Secretary of State. If you are a foreign corporation (based outside of Connecticut) you must also have filed with the Secretary of State. We will confirm your registry standing with the Secretary of State before approving your application. Please submit a copy of your articles of organization with your application for all types of corporations.

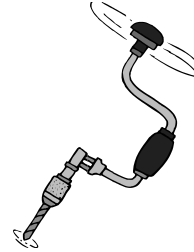
Salespersons

- Salespeople must have their contractors certify their employment on the back of the application, with the employer's signature and registration number. A "salesman" means an individual who:
 - A) Negotiates or offers to negotiate a home improvement contract with an owner, or
 - B) Solicits or otherwise endeavors to procure by any means whatsoever, directly or indirectly, a home improvement contract from an owner on behalf of a contractor.
- The application fee for a registration as a home improvement contractor acting solely as the contractor of record for a corporation is waived, provided the contractor of record has the sole purpose of directing, supervising or performing home improvement for such corporation. However, the corporation itself must still register and the name of a contractor of record must still be provided.

Penalties

- It is the law that you register as a home improvement contractor **before** you conduct any business or enter into any contracts. **Performing home improvement work in the state of Connecticut without being registered is a criminal offense, subject to prosecution. You will also be prevented from using the judicial system to collect payment for your work.**

- In addition, the law allows the Department of Consumer Protection to levy civil penalties ranging up to \$1,500 per violation if you are not registered with the Department.



Advertising

- **You must display your registration number** in all of your advertising, including business cards, display ads, television and newspaper ads, trucks and other vehicles.
- Aside from the legal requirement, your registration demonstrates good faith to your customer and your willingness to comply with the law.
- We will send you a wallet-size registration cards as well as a certificate for your office. Carry your registration card with you at all times and show it to all of your customers.

What about renewals?

The Department of Consumer Protection will try to notify you by mail when it is time for you to renew your registration. We will do this approximately one month before your registration expires. A one-year registration period runs from December 1st through November 30th of each year.

Failure to receive your renewal application does not exempt you from your obligation to renew your registration. It is *your* responsibility to renew this registration if you intend to continue home improvement work. If you do not receive your renewal, contact the License Services Division at 860-713-6000 before your registration expires, to get instructions so that you may renew in a timely manner. It is important that you renew promptly and pay the renewal fee of \$160.00.

Remember that **it is illegal to perform home improvement work in Connecticut without a valid registration.** If you allow your registration to expire and more than one year goes by, you must reapply and be issued a new registration.

Home Improvement Contract Requirements in Connecticut

The days of the “gentleman’s handshake” are gone. The law demands written contracts and that means more than a quick estimate and your signature.



Here’s what Connecticut law requires of a home improvement contract:

- It must be **in writing**, including all changes and modifications.
- It must **include your Contractor Registration (HIC) number**.
- It must include four dates: the date the contract is signed, the date the work will begin, the date by which the work will be completed, and the date by which the homeowner may cancel the transaction.
- It must include a Notice of the Customer’s Right to Cancel within three business days after signing the contract. The Notice must be attached to and made part of the contract, and must be in duplicate. See Appendix B for an example.
- The notice contained in the contract must be near the customer’s signature and in substantially the following form:
“**You the buyer may cancel this transaction at any time prior to midnight on the third business day after the date of this transaction. See the attached notice of cancellation for an explanation of this right.**”
NOTE: Saturday is a legal business day in Connecticut.
- Both you and your customer must sign and date the contract.
- You must give your customer a completed copy of the contract to keep.

Why must it be in writing and dated?

For your own protection, be sure the contract includes **everything** you will and will not perform. For example, who is responsible for cleaning up debris left in the yard from the construction work? If you are remodeling a kitchen, is the cost of the appliances included in the contract price?

Take the time to explain it all to your customer — then write it all out. A large percentage of consumer complaints stems from nonspecific contracts, which lead to disagreements.

Be a troubleshooter. Think ahead to what you’ll need to do (or hire someone else to do) if you find a supporting wall has almost rotted away, or that the seasoned oak the customer requested is in short supply, or you hit a rock ledge. Then, explain your back-up plans in writing.

If the contract needs to be changed in any way after the original signing, be sure you and your customer both sign for all change orders, and that all changes include additional charges and changes to the completion date, if any. *Put everything in writing!*

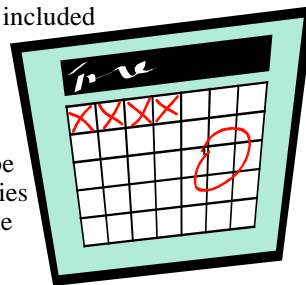
While the law requires that all change orders be in writing, contractors often run into situations where authorization from homeowners for changes must be obtained while the contractor is on the job, but the customer is at work or elsewhere. This contingency should be provided for in the original contract so that the homeowner is fully informed of the potential for these situations. Follow up any such verbal authorizations with signed change orders as soon as possible to comply with the law.

Remember to always include these four key dates!

As noted earlier, the law requires four dates to be included in the home improvement contract, as follows:

1) Transaction Date

The transaction date, i.e., the date on which the contractor and consumer sign the contract, must be noted on the contract itself as well as on both copies of the “notice of cancellation” form attached to the contract.



2) Start Date

The contract must include the start date for the project. Many consumer complaints arise from the contractor's failure to show up on time. To avoid misunderstandings about the start date, the contractor should explain to the homeowner that work on the project may include tasks such as applying for permits, ordering materials (that may have to be returned and reordered if they arrive damaged), and scheduling subcontractors — prior to actually appearing at the job site.

If more than thirty days go by from the start date in the contract and you have not performed a substantial amount of work, the customer can request a refund of his or her money. Further, if you fail to return the client's money within ten days of his or her request, you are subject to criminal action. The law is silent as to the meaning of *substantial amount* of the contracted work. It is, therefore, prudent to plan your projects carefully and to include alternative plans of action, should problems arise that are beyond your control.

3) Completion Date

The contract must include a completion date for the project. Many consumer complaints arise from the contractor's failure to finish work on time or to stick with a job. *Maintaining good communication with a customer will help avoid many complaints.*

Many contractors have overlapping jobs. While the framing is going up on one customer's addition, you may be completing the finish work on another's kitchen. If you run into trouble with the framing, the finish work just isn't going to get completed. In the meantime, customers get angry because they don't know what is going on!

4) Notice of Cancellation

Both copies of the "notice of cancellation" should include the date by which the homeowner may cancel the transaction (i.e., no later than midnight of the third business day after the date of the transaction). Saturday is a business day in Connecticut.

Finally, the contract must be entered into by a registered contractor or salesperson, and contain the name and address of the contractor. Both "notice of cancellation" forms must also contain the contractor's (i.e., seller's) name and address.

The 3-Day Cancellation Right

DO NOT VIOLATE THIS CANCELLATION RIGHT. The consumer is not responsible for any work you perform on the property within this three-day cancellation period. The consumer does not have to pay you for this work and can demand that you restore the property to its original condition.

If you are giving an estimate, remember that an estimate is not enough to constitute a legal home improvement contract. The duplicate Notice of Cancellation form attached to the contract must be a complete notice of cancellation rights, printed in a minimum of 10 point, boldface type. However, it is a good idea to have this form in triplicate; one copy for you, one copy for the customer to mail in should he / she choose to cancel, and one copy for the customer to keep for his files. *Always leave two completed forms with the customer.* See Appendix B of this handbook for a sample.

The Home Improvement Guaranty Fund and The Consumer Protection Enforcement Fund

The Department of Consumer Protection administers the Home Improvement Guaranty Fund to reimburse consumers who are unable to collect for loss or damage suffered from a **registered** contractor's performing or offering to perform a home improvement. A homeowner must already have a court judgment or restitution order before applying for reimbursement.



The following is an example of how the fund works:

- A homeowner has a claim against a **registered contractor** and goes to court. The homeowner is awarded a judgment for \$8,000 and seeks to obtain the money from the contractor, only to find that the contractor is “judgment-proof,” (has no money or assets in his name) or that the contractor can no longer be located.
- The homeowner retains a marshall to serve a “writ of execution,” proves it to be served, but receives no response.

For homeowners in such situations with legal judgments, there may be financial help from the *Home Improvement Guaranty Fund*, up to \$15,000 for home improvement. The Fund will not make all aggrieved consumers financially whole again, but it is substantial restitution for many.

- To qualify, along with a legal judgment, the consumer must have tried to search for real property and bank accounts by having a marshall serve the “writs of execution” upon the contractor. Small claims judgments are exempt from this requirement. The consumer must also have a contractor who was registered at the time of the contract, within two years prior to the date of the contract, or at the time of the judgment.
- To access the Home Improvement Guaranty Fund, the consumer must apply in writing within two years of the date of the legal judgment.

How the funds are generated

When a home improvement contractor registers or renews with the Department \$100 of the registration/renewal fee goes to the Home Improvement Guaranty Fund. However, the Home Improvement Guaranty fund is capped at \$750,000.

The next \$400,000 collected in fees from the home improvement contractors' registrations is deposited into the Department of **Consumer Protection's General Enforcement Fund**. The Department uses this money to enforce the Home Improvement Act by conducting sting operations, offering bounties or amnesty programs to find and encourage unregistered contractors to comply with the law, and by educating consumers about the law's requirements and the need to do business with registered contractors.

Any registration/renewal funds collected in excess of the \$750,000 Home Improvement Guaranty Fund and the \$400,000 Consumer Protection General Enforcement Fund go to the General Treasury of the State of Connecticut.

The New Home Construction Act

Under the New Home Construction Act, anyone engaged in new home building or offering new home construction services must have a valid certificate of registration from the Department of Consumer Protection. The registration certificate is needed before a building permit may be issued.

A new home is defined as a new, single family dwelling, a new two-family unit, or a new condominium unit.



Some exceptions to this regulation are:

- Homeowners applying for their own home construction
- Realtors engaging in work under Chapter 392 of the Connecticut General Statutes
- Mobile home dealers and/or licenses covered under Chapter 412 of the Connecticut General Statutes
- Persons holding a professional or occupational license, registration or certificate, provided said person engages in said work for which said person is licensed, registered and certified
- New home construction contractors who engage in one or more contracts related to the same new home with an aggregate value of less than \$3,500
- Salespeople need not be registered.

If you are registered as a home contractor and are also a new home builder, you need two registrations. However, if you hold a current home improvement registration, you do not have to pay the new home construction contractor initial application fee. You do, however, still have to pay into the New Home Guaranty Fund. The fee for this fund is \$480 biennially.

Reminder: If the consumer is acting as their own general contractor for the purpose of building their own home, each contractor not holding a specific trade license for the work they perform must be registered as a new home contractor, when they enter into a contract with the consumer. This means that all framers, foundation workers, sheetrockers, carpet installers, etc. must be registered new home contractors.

New Home Construction Contract Regulations

A new home construction contractor shall include in every contract with a consumer a provision advising the consumer that the consumer may be contacted by such contractor's prospective customers concerning the quality and timeliness of such contractor's new home construction work. The consumer may advise the contractor in writing upon execution of the contract that they do not wish to be contacted.

The following written notice shall be in **capital letters, no less than ten-point bold-face type**, and may include a statement in substantially the form provided on the next page.

NEW HOME CONSTRUCTION CONTRACTOR REGISTRATION NOTICE

A CERTIFICATE OF REGISTRATION AS A NEW HOME CONSTRUCTION CONTRACTOR DOES NOT REPRESENT IN ANY MANNER THAT THE CONNECTICUT DEPARTMENT OF CONSUMER PROTECTION ENDORSES THE QUALITY OF THE CONTRACTOR'S NEW HOME CONSTRUCTION WORK OR THE CONTRACTOR'S COMPETENCY TO ENGAGE IN NEW HOME CONSTRUCTION.

ACCORDINGLY, YOU ARE ADVISED TO:

- 1) REQUEST FROM THE CONTRACTOR A LIST OF CONSUMERS OF THE LAST 12 NEW HOMES BUILT TO COMPLETION BY THE CONTRACTOR DURING THE PREVIOUS 24 MONTHS, OR IF THE CONTRACTOR HAS NOT CONSTRUCTED AT LEAST 12 NEW HOMES TO COMPLETION DURING THE PRIOR 24 MONTHS, THEN A LIST OF ALL CONSUMERS FOR WHOM THE CONTRACTOR HAS CONSTRUCTED A NEW HOME TO COMPLETION DURING THE PREVIOUS 24 MONTHS.**
- 2) CONTACT SEVERAL INDIVIDUALS ON THE LIST TO DISCUSS THE QUALITY AND TIMELINESS OF THE CONTRACTOR'S NEW HOME CONSTRUCTION WORK, AND**
- 3) CONTACT THE DEPARTMENT OF CONSUMER PROTECTION TO VERIFY THE REGISTRATION INFORMATION PRESENTED BY THE CONTRACTOR AND TO ASCERTAIN THE CONTRACTOR'S COMPLAINT HISTORY WITH THE DEPARTMENT.**

IN ADDITION, YOU ARE ADVISED TO DISCUSS WITH THE NEW HOME CONSTRUCTION CONTRACTOR:

- 1) WHETHER THE CONTRACTOR HAS A CUSTOMER SERVICE POLICY AND IF SO, THE IDENTITY OF THE PERSON DESIGNATED TO ASSIST YOU IN RESOLVING ANY COMPLAINT ABOUT THE CONTRACTOR'S WORK;**
- 2) WHETHER THE CONTRACTOR WILL HOLD YOU HARMLESS FOR WORK PERFORMED BY ANY CONTRACTOR HIRED BY THE CONTRACTOR; AND**
- 3) THE INSTALLATION OF AN AUTOMATIC FIRE EXTINGUISHING SYSTEM.**

THIS NOTICE DOES NOT CONTAIN AN EXHAUSTIVE LIST OF THE INQUIRIES YOU SHOULD MAKE BEFORE CONTRACTING WITH A NEW HOME CONSTRUCTION CONTRACTOR. ADDITIONAL INFORMATION TO ASSIST YOU IN YOUR SELECTION OF A NEW HOME CONTRACTOR MAY BE OBTAINED BY CONTACTING THE CONNECTICUT DEPARTMENT OF CONSUMER PROTECTION.

The New Home Construction Guaranty Fund



The Department of Consumer Protection administers the New Home Construction Guaranty fund to reimburse consumers

who are unable to collect for loss from a registered new homebuilder. A homeowner must already have a court judgment or restitution order before applying for reimbursement.

If the registered New Homebuilder has no assets or money in his/her name, or cannot be located, the consumer may apply for reimbursement from the New Home Construction Guaranty Fund.

Any individual who wishes to construct or contract the building of new homes in the state of Connecticut must register with the State Department of Consumer Protection. The application fee is \$120, however if the New Homebuilder is currently registered with the Department as a Home Improvement Contractor, he or she does not have to pay the application fee. A fee of \$480 must be paid biennially to the Guaranty Fund, upon request or renewal of a registration certificate, or such renewal or registration will not be granted.

All payments received will be credited to the new Home Construction Guaranty Fund until the fund reaches \$750,000. If the fund exceeds \$750,000 annually, the first \$200,000 in excess will be applied to the Consumer Protection Enforcement Fund. This money is used by the Department to enforce the home improvement and new home construction laws through, for example, conducting sting operations, bounties or amnesty programs to find and require unregistered contractors and new homebuilders to comply with the law.

Homeowners may be eligible to receive up to \$30,000, provided the following criteria are met:

- The homeowner must be awarded a court judgment and the registered new homebuilder must be found “judgment proof” (having no money or assets in his/her name, or he/she can not be located).
- The homeowner must retain a marshall to serve a “writ of execution.” The homeowner is responsible for providing proof it was served and that there was no response.
- The new homebuilder must have registered with the Department of Consumer Protection within two years of signing the contract with the consumer for the new home construction.
- To access the fund, the consumer must apply in writing within two years of the date of the court judgment.

Other Laws Affecting Home Improvement Contractors

1. *Building permits*

Responsibility for Building Permits

Don't start a project unless you are sure all the necessary building permits have been taken. True, the ultimate responsibility to obtain the building permit rests with the homeowner, but the homeowner looks to you – the professional – for assistance. Further, if you begin home improvement work without all the appropriate permits required by the town building official, you are in violation of the State's Home Improvement Act.

Building Code

Connecticut has a single building code for the entire state. Individual towns implement it. Specific questions should be brought to the attention of the local building official. An appeal process exists under the building code to handle disputes or code interpretation issues.

Planning and Zoning / Wetlands

There may also be permission needed from the local planning, zoning, inland wetland or other boards for the particular project you are about to do. Check with these boards.



Worker's Compensation

Connecticut law requires that contractors show the local building inspector proof of their worker's compensation coverage when applying for a building permit. The proof that must be shown to local building officials is only the general contractor's or principal employer's

certificate of insurance rather than the certificates of all employers on a job site.

In certain situations, alternative proof for a property owner or sole proprietor contractor can be a sworn notarized affidavit stating that "he will require proof of worker's compensation insurance for all those employed on the job site in accordance with the worker's compensation laws." Further, the building official need only look for the required proof of coverage at the time of permit application.

If the person seeking a building permit is a property owner or a sole proprietor who does not intend to act as a general contractor or principal employer (i.e., they do not employ anyone), then this law does not apply to them and need not show anything to the building official. Check with a professional trade association, such as the Connecticut Remodeler's Contractor Association or the Homebuilders Association of Connecticut, for more information. See the following section for more information on insurance issues.

2. The Home Solicitation Sales Act

The Home Improvement Act makes all home improvement contracts, wherever they are signed by the homeowner, also **home solicitation sales** under the Connecticut Home Solicitation Sales Act (HSSA). In fact, the three-day notice of cancellation required in home improvement contracts, as noted earlier in this booklet, arise from the HSSA, but the HSSA also has other provisions applicable to home improvement contracts.

For example, the contractor must verbally inform the homeowner at the time of the signing of the contract of the homeowner's three-day right to cancel the contract. A prudent contractor practice is to obtain signatures of customers at the time of the transaction that they received duplicate copies of the notice of cancellation forms and were verbally informed of their cancellation rights.

3. Insurance

Basically, there are two types of insurance to be concerned with: worker's compensation and liability insurance.

- In Connecticut, there is no requirement for worker's compensation for yourself. However, if you are an employer with even one employee, you must carry worker's compensation. Such insurance covers workers' injuries sustained on the job.
- Make sure your subcontractors carry worker's compensation insurance, if required, and liability insurance. Get insurance certificates from them. Also make sure their coverage is adequate. Check with your insurance carrier or broker on how the lack of adequate coverage by your subcontractor affects you. You may be required by your insurance company to pay the difference, if any, between your coverage limits and your subcontractors'.



- For information on special situations such as coverage for family members, contact the State Workers' Compensation Commission at 566-4154 or 1-800-223-9675.
- Liability insurance addresses property damage -- yours and your customer's. Even though there may be no legal requirements in Connecticut to carry liability insurance, it's wise to do so.
- Bonding is not required in Connecticut for residential work and is not customarily used for residential jobs.

4. Service warranties

You, the contractor, may offer an expressed warranty to your customers regarding your home improvement work. If so, be sure to spell out everything that is and is not covered. Further, decide how that warranty will be honored should you become ill or for other reasons are unable to fulfill your obligations. All warranties should be in writing.

The law does not spell out any particular language for warranting your labor or services. Some contracts contain language such as the following example:

“The contractor guarantees that the work will be undertaken and constructed in accordance with accepted home improvement practices. This warranty does not cover damage or defects; which are the results of characteristics common to the materials used, or conditions resulting from condensation, expansion, or contraction of such materials.”

The Contractor as Successful Business Owner

As stated in the preface of this booklet, today’s successful contractor is both craftsman and businessperson. Seat-of-the-pants contracting in today’s marketplace will probably lead to failure. Here are some business procedures you should know:



Historical job costing

Keeping cost records of jobs you have done in the past is a necessity if future jobs are to be bid successfully. This means tracking the labor, hours, materials and subcontractors’ expenses for every job you do. A computer can do this for you quite easily with the software available today or you can do it manually. It’s worth the effort.

Overhead calculations

The most important financial calculation that will control your business success is the overhead cost determination. If you don’t know the actual cost of keeping your phone line hooked up, your trucks on the road or your company insured, you are setting yourself up for failure. Failure to charge enough to cover overhead is one of the major causes of home improvement business failure. Budgets aren’t just for big operations; they are for all successful business.

Job cost estimating

The hardest part of home improvement is coming up with an accurate estimate of the expenses of the project. If you don’t have historical records yet, get one

of the many estimating books on the market. (You might check with your trade associations for help.) There are computer estimating systems available for all budgets and projects. Get written quotes from your suppliers and subcontractors so your chances of costly errors are minimized. Get a preprinted estimating pad that lists all phases and components of a job.

What to charge?

After you have determined the “hard” costs of the job (materials, labor, insurance, benefits, permits, subcontractors, etc.), you must determine the percentage of markup necessary to cover your overhead and also leave you with a fair and reasonable profit.

Most industry experts say that a 50% markup on “hard” costs is the minimum needed to be a survivor. Larger firms (over \$500,000 a year), typically have markups of 67% or more, depending on the services provided.

As an example:

Labor	\$	500
Materials		500
Subcontractors		500
Permits	+	0
Total Hard Costs		1,500
50% Markup (\$1,500 x 50%)	+	750
Selling Price	\$	2,250

In this example, the markup will provide \$750 for overhead and profit. Some contractors estimate that they would net approximately 10% of this as true profit. Again, when pricing the job, it is important to include the sort of warranted service (if applicable), proper and complete cleanup, and other follow-up services.

Payment schedules

The Department of Consumer Protection recommends that consumers not give contractors cash advances, nor agree to large, up-front payments. Contractors usually see it differently.

A way to be fair to both sides is to agree on a payment schedule which roughly parallels the progress of the work, perhaps a one-third, one-third, one-third payment plan, or better, one-fourth of the total in four payments.

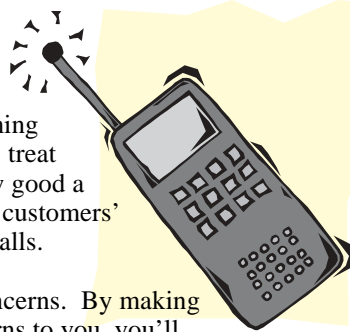
The Department of Consumer Protection encourages consumers to have something to show for their first payment, either the delivery of some materials to the worksite, or some portion of the labor performed. The practice of accepting large down payments from one consumer to pay bills on past jobs too often backfires.

Payment schedules are important to include in your written contract and should be fair, both to the customer and to the contractor. You, the contractor, must plan a cash flow sufficient to meet your payments to vendors, employees, subcontractors and overhead expenses. You must also remember your quarterly tax payments and insurance premiums, and plan for the cost of any special-order materials for each job. Different contractors will break down progress payments in more or less detail, depending on the job.

Successful contractors take advantage of prompt-pay discounts offered by most suppliers. Often these suppliers offer a 5% discount for payment by the tenth of the month. Sound planning should allow you a sufficient cash flow to enjoy these discounts. We recommend that consumers not agree to large, up-front payments. However, it is perfectly reasonable and with accepted business practice, to pay a deposit for service yet to be provided.

Handling the consumer's complaint

Listen to your customers. Instead of becoming automatically defensive when they complain, treat the complaint as an opportunity to prove how good a business person you really are. Answer your customers' on-site questions and return their telephone calls.



Encourage them to talk to you about their concerns. By making the customer feel that it's safe to bring concerns to you, you'll find that complaints come much earlier in the project when there are better odds that they can be resolved. Some contractors never take the time to discuss problems; they're more interested in completing the job or getting specs on the next project. However, in many cases, a few minutes of honest discussion can settle an issue – or at least let the customer know you will try to resolve the problem.

If your customer already knows a lot about their project, fine. If not, answer his or her questions as they arise. Remember that the customer's investment is not just a financial one; it is often a personal and emotional one too.

Dealing with your subcontractors

You should be sure that all of your subcontractors have adequate insurance and the proper licenses. (You should have insurance certificates on file from them.) Be sure your subcontractors understand the scope of their work on any project. You should have a written contract with your subcontractors, clearly specifying the job and schedule requirements. As the person contracting with the consumer, you are responsible for all work done, including work by subcontractors.

You also need to ensure that your subcontractors are dependable and arrive on the job when you say they will. In addition, you want subcontractors who will respond quickly to repairs for warranted items should the need arise. Remember, just as the homeowner is cautioned against accepting contractor's bids based solely on low price, you should also evaluate your subcontractors on factors other than price.

You may want to obtain lien waivers from all your subcontractors and suppliers. Give these (or copies) to your customer so that he or she need not be concerned about subcontractors' mechanics liens when he or she has paid you, the general contractor. Public Act 99-153, effective October 1, 1999, imposes a number of obligations on contractors regarding payments owed to subcontractors.

Financing home improvement projects

Some contractors take on the financing of their home improvement projects for their customers. If you decide to do this, be aware that the field of credit and financing is fairly complicated and subject to both state and federal laws.

You should not try to draft your own financing documents. Contact an attorney who is knowledgeable in the fields of mortgages and credit. You must be sure that all your contracts and financing documents comply with both the Federal Truth In Lending Act and all state banking laws.

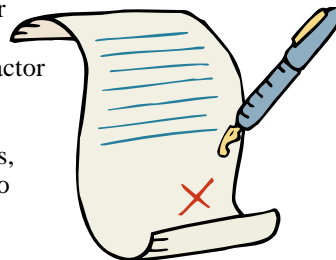
More information may be obtained by calling the State Banking Department, Consumer Credit Division at 240-8299 or 1-800-831-7225.

Guarantees and warranties

For easier discussion, we will use the term "warranty" throughout this section. A warranty and a guarantee are the same thing.

Warranties are promises. A company may pledge to stand behind its product by promising that if the product proves defective, the company will replace or repair it. All warranties offered by a contractor should be in writing. Consumers often want warranties for services as well. They want to know that the expensive wallpaper they paid the contractor to hang will stay in place. They want assurance that the new redwood deck they hired the contractor to build won't sag or collapse in three months.

There are warranties for products (new windows, furnaces, etc.). Some contractors also choose to warrant their work.



There are two basic types of product warranties: *express and implied*.

An *express warranty* is one, which is stated, either orally or in writing. Written warranties may be either “full” or “limited.” If the word “full” is used:

- The warrantor (contractor) must repair or replace it free of charge,
- The product must be repaired within a reasonable time after you complain,
- If it cannot be fixed (or has not been fixed after several attempts), you must choose between a new product or a cash refund, and
- The warranty is good for the specified time, even if you are not the original owner of the product.

If the word “limited” is used, the warranty may:

- Cover only certain parts of a product, or
- Cover parts, but not labor, or
- Be good for the original owner only, or
- Include a charge for handling or require that the customer pay for shipping to and from the factory for repairs. The customer may be allowed only a prorated refund or credit, depending on the use of the product.

“Lifetime” warranties must state **whose** life is referred to, if it is other than that of the purchaser or the original user.

Even if there is no expressed warranty (nothing promised verbally or in writing), State law recognizes *implied warranties*, which may apply to the product.

Under the “implied warranty of merchantability,” the seller, merely by offering a product for sale, promises that the product will do what it is sold to do. For example, replacement windows, if properly installed, must keep the elements out of the house. If not, the customer has the right to new windows or a refund of his money. An “implied warranty of fitness for a particular purpose” means that a seller’s claim as to a product’s performance must be accurate. For example, a home-owner has peeling paint on his house. He discusses it with the painter, describing the problem, the home’s paint history and the materials of which the house is constructed. The painter assures the homeowner that Brand X paint will do the job. Soon after the paint job is finished, the paint begins to peel. In this case, the homeowner can claim that the particular purpose for which the paint was represented by the contractor was not met.

Caution: If new or unused consumer goods are sold with the terms “Irregular,” “Factory Seconds” or “Damaged,” all implied warranties might be excluded.

In Connecticut, the seller's failure to live up to a warranty may provide at least two grounds of legal action.

- The first is called an action for breach of warranty.
- Second, failure to honor a warranty is considered an unfair trade practice and violators may be charged under the Connecticut Unfair Trade Practices Act.

Special Environmental Issues: Radon, Asbestos, Lead, and Residential Underground Heating Oil Storage Tank Systems

Radon

Radon exists as a natural by-product of the decay of radioactive minerals in the earth, and exists in almost all homes in different concentrations. Its concentration levels depend on various factors, including the location, air-tightness of the house, and time of the year. Testing for concentrations of radon in the home can be done by the homeowner using various kits, or by professional testers.

As a home improvement contractor, if you are interested in performing radon mitigation, you should familiarize yourself with the various methods of doing so. If you think you might be interested in radon mitigation work, it is suggested that you consult your attorney on the potential liabilities involved and the proper wording of contracts and warranties for this type of work. Contractors shall:

- 1) Attend a program approved by the State Commissioner of Public Health and receive a passing score on an examination approved by said Commissioner.
- 2) Be certified as a radon mitigator by the National Radon Safety Board or the National Environmental Health Association.
- 3) Register with the Department of Consumer Protection as a Home Improvement Contractor.
- 4) Register with the Department of Public Health to perform radon mitigation in Connecticut.
- 5) Submit proof of complying with the above terms for license application and renewal.

Information about radon testing and mitigation can be obtained from the State Department of Public Health at 860-509-7367.

Asbestos and Lead Paint

Both asbestos and lead-based paint are hazardous materials and there are laws and regulations affecting your working with either of these materials. The State Department of Public Health's Asbestos Program has regulations concerning standards for asbestos abatement, licensure and training requirements for asbestos activities. These regulations pertain to all structures in the state, including private homes. Lead Poisoning Prevention and Control regulations have also been enacted by the Department of Public Health.

You should ensure that your contract addresses hazardous materials, what will be done if they are encountered on the job, and who is responsible for their removal, etc.

If you know that these materials exist in a house before you sign a contract to work on the house, be sure to specify who is responsible for their removal and disposal. If it is your responsibility, be sure to account for this work in your pricing. Subcontractors who specialize in removing and disposing of these hazardous materials have the proper protective gear and disposal capabilities, and are the best persons to handle these materials.

If you decide to work on removing these materials with your own personnel, State law requires that you make sure they have the proper protective clothing and equipment, that precautions are taken to prevent the spread of these materials to other parts of the house during the removal process, and that you follow proper procedures and record keeping in disposing of these materials at approved disposal sites. Again, you may want to consult your attorney concerning the potential liabilities involved in this work and the necessary language that should be included in your contracts if you perform any work involving asbestos or lead-based paint.

Information about asbestos removal can be obtained from the State Department of Public Health at (860) 509-7367.

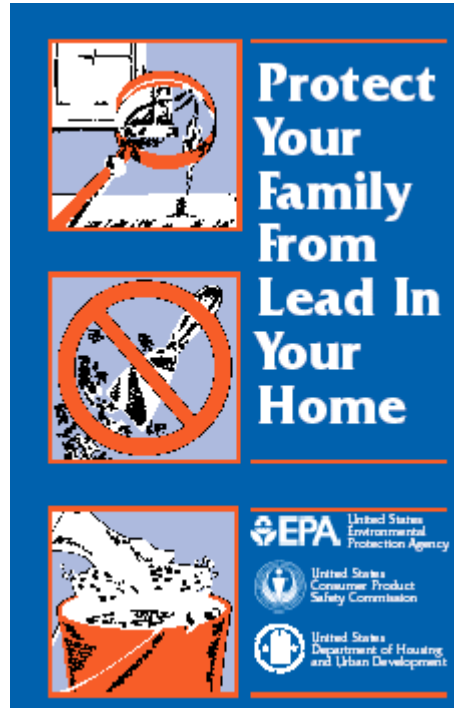
Information about lead paint removal can be obtained from the State Department of Public Health at (860) 509-7299 or the Department of Consumer Protection, Product Safety Unit at (860) 713-6115.

The Lead Pre-Renovation Education (PRE) Rule

The Environmental Protection Agency's (EPA) PRE rule requires renovators, remodelers, home improvement contractors, painters, carpenters, electricians, plumbers, landlords, property managers, apartment maintenance staff, or *anyone* whose work disturbs paint to distribute a pamphlet to owners and occupants of most housing built prior to 1978 before starting the work.

In general, the Lead PRE Rule applies to renovations performed in pre-1978 housing, which are performed for compensation.

IMPORTANT: Federal law requires you to provide a copy of this lead hazard information pamphlet to occupants BEFORE starting work.



“Renovation” means any modification of all or part of any existing structure in the housing that disturbs painted surfaces. “Renovation” includes:

- Removal or modification of painted surfaces, components or structures.
- Surface preparation activities (sanding, scraping, or other activities that may create paint dust).
- Window replacement

“Compensation” is the receipt of anything of value (not only money) and may include:

- Exchange of money, goods or services
- Payment of rent to landlords / property managers.

Renovation Examples:

- Demolition of painted walls or ceilings
- Large surface replastering or sheetrocking
- Major plumbing repairs or improvement
- Any other activities which disturb more than 2 square feet of painted surfaces

There are exemptions from the EPA's PRE requirements:

The exemptions are:

- Lead abatement activities performed by license lead abatement contractors
- Emergency renovations
- Renovation of certified lead-based paint free components
- Minor repair / maintenance activities which disturb less than 2 square feet of painted surfaces
- Renovations in dormitories / studio apartments / housing for the elderly or disabled

Your Requirements Depend on the Following Criteria:

In owner-occupied housing you must:

- Provide an EPA-approved lead information pamphlet to owner (as shown on previous page), and get written acknowledgment or receipt from owner, OR
- Mail the pamphlet to owner 7 days prior to renovation and document with certificate of mailing.

In tenant-occupied housing you must:

- Provide an EPA-approved pamphlet to both building owner and an adult occupant by one of the above methods.
- If attempted delivery to adult occupant fails, you may comply by leaving the pamphlet at the unit and preparing certification describing delivery attempts for your files.

For renovations in "common areas" in multi-family housing (more than 4 units), you must:

- Provide an EPA-approved pamphlet by one of the methods listed under owner-occupied housing above.
- Provide notice to each tenant in the building describing:
 - 1) Nature/location/timing of renovation
 - 2) Availability of the EPA-approved pamphlet (free upon request)

It is recommended that acknowledgement of receipt of the pamphlet be incorporated in the contract. The pamphlet can be provided to the owner with the contract. The contract and the acknowledgement of pamphlet receipt can be signed at that time. Note: In rental housing, tenant notification requirements must also be met as described above.

Keep written documentation / receipt describing notification procedure for three years after the renovation is completed.

For more information on the PRE rule go to: www.epa.gov/lead, OR www.state.ct.us/dph/BRS/lead/lead_renovators.htm, OR www.dcp.state.ct.us/licensing/homeimprove.htm

Bulk copies of the EPA-approved lead pamphlet are available from the Government Printing Office. Phone Orders: (202) 512-17800, Fax Orders: (202) 512-2233, or in writing: Superintendent of Documents, PO Box 371954, Pittsburgh, PA 15250-7954. Refer to the complete title or the GPO stock number, 055-000-00507-9. You may instead reproduce the pamphlet for distribution, provided that the text and graphics are reproduced in full. Camera-ready copies of the pamphlet are available from the National Lead Information Center at (800) 424-LEAD or (800) 424-5323.

Training in lead-safe painting, remodeling and maintenance



With new federal regulations, it is recommended and in certain cases *required*, that a Lead-Safe Work Practices training course be attended by workers who will disturb two square feet of paint or more in residential housing built before 1978. The University of Connecticut, in partnership with the State of Connecticut Department of Public Health, has developed a lead safety training program and training manual for renovators, remodelers, painters, maintenance personnel and property owners. The hands-on training program teaches workers how to protect themselves and their families, as well as consumers and their families, from the hazards of lead poisoning.

The training and documentation...

- Explain the hazards of lead poisoning
- Teach workers how to prepare worksites in lead-safe ways
- Show workers exactly how to perform renovation, remodeling and maintenance activities in lead-safe ways
- Teach workers how to clean up worksites in lead-safe ways
- Detail the equipment and supplies needed to perform all procedures
- Provide checklists for workers and consumers to document compliance with lead-safe work practices
- Are available in English and Spanish

The course also fulfills Housing and Urban Development 1012/1013 requirements. For a current list of training providers, please visit the website at home.cshore.com/ctlead or call the University of Connecticut Cooperative Extension System at 860-570-9081.

Lead-Safe Work Practices

By learning some basic safety practices for dealing with painted surfaces, workers can greatly reduce the risks of lead poisoning for themselves and their own children, as well as for their clients and their children.

Lead-safe work practices include the following:

- Unless testing has shown that a building does not contain lead paint, assume that any house built before 1978 contains lead paint and therefore requires the use of lead-safe work practices.
- Choose methods that create the least amount of lead dust.
- Contain as much lead dust as possible.
- Wear appropriate protective clothing and work gear.
- Keep occupants, especially children and pregnant women, away from worksites, particularly when dust is present.
- Do not eat, drink or smoke in work areas.
- Clean up work sites in lead-safe ways.
- Dispose of debris and refuse in lead-safe ways.

Removal or Replacement of Residential Underground Heating Oil Storage Tank Systems

Effective October 1, 2004, any contractors not holding a trade license authorizing them to perform the removal of residential underground heating oil storage tank systems must be registered as home improvement contractors and must comply with a new set of guidelines.

Contractors must provide evidence of liability insurance coverage of one million dollars and evidence of a surety bond in an amount not less than two hundred and fifty thousand dollars (see Criteria below). UST contractors must also show evidence of completion of a 40-hour Hazardous Materials Incident Response Operations course (HAZOPER), and eight hours of health and safety training 29 CFR 1910.120(e), and passage of the International Fire Code Institute Decommissioning Exam.

Criteria for Underground Storage Tank Bond

- The bond is to be held by Department of Consumer Protection (DCP) in the amount of two hundred fifty thousand dollars (\$250,000).
- The bond will be on behalf of consumers who have a contract with the UST contractor and are aggrieved by a contractor's performance in the removal of an underground fuel storage tank during the term of the consumer contract.

- The surety must advise the DCP Commissioner in writing of the cancellation of the bond/policy within 2 weeks.
- The contractor must be registered in Connecticut as a Home Improvement Contractor for the bond term.
- The bond term is to run from the original date of the Act (October 1, 2004), or date of its issuance until September 30th yearly.
- The bond shall remain in full force and effect during the consumer contract period, and upon application, supported with a preponderance of evidence of damage, satisfy any obligation of the contracted consumer against any failure caused by defective materials, or defective workmanship, and will make good such defects, if so ordered, to the satisfaction of the Commissioner of the Department of Consumer Protection.
- The contractor must comply with all laws and regulations pursuant to both home improvement contractors, and those regarding removal of an underground fuel storage tank.
- The contractor shall also pay all fines imposed upon him for violation of any such rule or regulation.

Successful Remodeling Business Tips

Customer “care and feeding”: Let your customer know what’s going on and let him follow the progress of the job. If he wants to watch, let him watch. Encourage the customer to inspect the materials and to read through all warranties.

References: After a job is completed to your customer’s satisfaction, the bill is paid and any necessary certificates of completion or occupancy are issued, ask the customer for permission to use his or her name as a reference for other customers. You may wish to ask for the reference in writing. This will be valuable to you as your business progresses.

Follow Up: Be prepared to follow up. If something goes wrong down the road and the customer calls to complain, try to help. Often a little of your time can save a good business relationship and prevent further damage or problems in the house. This doesn’t mean you’re on permanent call; it does mean that your willingness to take care of job-related problems after you have cashed the check will pay you back in valuable “word of mouth” advertising. Good service is always smart business. Return your calls! Too many consumer complaints include phone calls left on an answering machine or with a family member, which have not been returned.

Work schedule: Have a sufficient cash flow and establish enough credit with your suppliers to at least start a job without a large cash advance from your customer. A payment schedule, which parallels the progress of the work, is fairest to both the contractor and the customer. A surefire way to trigger a consumer complaint is to cash the customer’s check and then delay starting the job.

Professionalism: Keep in touch with what is happening in the industry. This includes new construction techniques, proposed changes in home improvement laws and economic swings. For information about courses and professional associations, contact the Homebuilders Associations’ Remodelers Council and the Remodeling Contractors Association.

Call for help: If you are not clear about the law, call and ask! We are glad to answer any questions about the Home Improvement Act, or the Home Improvement Guaranty Fund, or your registration.

Stand behind your ads: Advertise honestly and do what you ads promise. Your reputation will become you most effective form of advertising.

APPENDIX A

Things Your Home Improvement Contract Must Contain -- *All in Writing!*

The contract is not valid and not enforceable against the homeowner unless it contains all of the information below and is entered into by a registered contractor or salesperson. The contractor shall provide and deliver to the owner, without charge, a completed copy of the home improvement contract at the time the contract is executed.

Transaction Date _____

Contractor's Name _____

Contractor's Registration (HIC) number _____

Contractor's Address _____

Start Date _____

Completion Date _____

The ENTIRE statement of agreement and any modifications or changes:

Contractor's/Salesperson's Signature	Date
_____	_____
Homeowner's Signature	Date
_____	_____

Notice of Cancellation Language in Contract

(As required by Statute)

Completed detachable form in duplicate, captioned "Notice of Cancellation" as required by statute. See the following page for a sample Notice.

If you would like to include information in your contract regarding the Lead Pre-renovation Education (PRE) Rule and Lead-Safe Work Practices, please refer to pages 20 - 24 of this booklet.

APPENDIX B

Notice of Cancellation

(Date of Transaction Printed Here)

YOU MAY CANCEL THIS TRANSACTION WITHOUT ANY PENALTY OR OBLIGATION, WITHIN THREE BUSINESS DAYS FROM THE ABOVE DATE.

IF YOU CANCEL, ANY PROPERTY TRADED IN, ANY PAYMENTS MADE BY YOU UNDER THE CONTRACT OR SALE, AND ANY NEGOTIABLE INSTRUMENT EXECUTED BY YOU WILL BE RETURNED WITHIN TEN BUSINESS DAYS FOLLOWING RECEIPT BY THE SELLER OF YOUR CANCELLATION NOTICE, AND ANY SECURITY INTEREST OUT OF THE TRANSACTION WILL BE CANCELED.

IF YOU CANCEL, YOU MUST MAKE AVAILABLE TO THE SELLER AT YOUR RESIDENCE, IN SUBSTANTIALLY AS GOOD CONDITION AS WHEN RECEIVED, ANY GOODS DELIVERED TO YOU UNDER THIS CONTRACT OR SALE; OR YOU MAY, IF YOU WISH, COMPLY WITH THE INSTRUCTIONS OF THE SELLER REGARDING THE RETURN SHIPMENT OF THE GOODS AT THE SELLER'S EXPENSE AND RISK. IF YOU DO MAKE THE GOODS AVAILABLE TO THE SELLER AND THE SELLER DOES NOT PICK THEM UP WITHIN TWENTY DAYS OF THE DATE OF THE CANCELLATION, YOU MAY RETAIN OR DISPOSE OF THE GOODS WITHOUT ANY FURTHER OBLIGATION. IF YOU FAIL TO MAKE THE GOODS AVAILABLE TO THE SELLER, OR IF YOU AGREE TO RETURN THE GOODS TO THE SELLER AND FAIL TO DO SO, THEN YOU REMAIN LIABLE FOR PERFORMANCE OF ALL OBLIGATIONS UNDER THE CONTRACT.

TO CANCEL THIS TRANSACTION, MAIL OR DELIVER A SIGNED AND DATED COPY OF THIS CANCELLATION NOTICE OR ANY OTHER WRITTEN NOTICE, OR SEND A TELEGRAM TO (Name of Seller) AT (Address or Seller's Place of Business) NOT LATER THAN MIDNIGHT OF (Date).

I HEREBY CANCEL THIS TRANSACTION.

Signed

Date

APPENDIX C

A Resource List for Contractors

For Questions About:	Call:	At:
REGISTRATION AND RENEWALS	Department of Consumer Protection <i>License Services Division</i>	(860) 713-6000
HOME IMPROVEMENT GUARANTY FUND	Department of Consumer Protection <i>Trade Practices Division</i>	(860) 713-6110
BUILDING CODE / PERMITS	Local Building Official OR State Building Inspector	Check with your Town Hall or (860) 685-8310
PROFESSIONAL / BUSINESS ASSOCIATIONS	a. Remodeling Contractors Assn., Inc. b. Home Builders Assn. <i>Remodelers Council</i> c. Better Business Bureau, Wallingford	(860) 242-6823 (860) 232-1905 (203) 269-2700
YOUR CONTRACT	Your Attorney	
COLLECTING OUTSTANDING DEBTS FROM CUSTOMERS	Your Attorney or Small Claims Court (<i>for debts under \$3,500</i>)	Check Blue Pages of Telephone Directory under "Superior Court"
SMALL BUSINESS SERVICES DIVISION	Department of Economic and Community Development	(860) 258-4269 or (800) 392-2122
ENVIRONMENTAL ISSUES (Radon, Lead, Asbestos, etc.)	Department of Public Health Department of Consumer Protection, <i>Product Safety Unit</i> -- for lead issues only	(860) 509-7367 Radon (860) 509-7367 Asbestos (860) 509-7299 Lead (860) 713-6115 (DCP, lead only)



State of Connecticut
Department of Consumer Protection
165 Capitol Avenue
Hartford, CT 06106

(860) 713-6110
1(800) 842-2649
www.ct.gov/dcp